

*** All debt obtained for long-term purposes, not to exceed total net property, plant and equipment includes lease liabilities for lease right-of-use assets and the short-term portion of the debt, up to the amount of net property, plant and equipment and construction in progress short-term line of credits and note payable, not to exceed total construction in progress. If an institution wishes to include the debt, including debt obtained through long-term lines of credit in total debt obtained for long-term purposes, the institution must include a disclosure in the financial statements that the debt, including lines of credit exceeds twelve months and was used to fund capitalized assets (i.e. property, plant and equipment or capitalized expenditures per Generally Accepted Accounting Principles (GAAP)). If an institution wishes to include short-term lines of credit or notes payable for construction in progress, the institution must include a disclosure in the notes of the financial statements. The disclosures that must be presented for any debt to be used in adjusted equity include the issue date, term, nature of capitalized amounts and amounts capitalized. Institutions that do not include debt in total debt obtained for long-term purposes, including long-term lines of credit, do not need to provide any additional disclosures other than those required by GAAP. The debt obtained for long-term purposes will be limited to only those amounts disclosed in the financial statements that were used to fund capitalized assets. Any debt amount including long-term lines of credit used to fund operations must be excluded from debt obtained for long-term purposes. Any debt obtained for long-term purposes post-implementation must be directly associated with the property, plant and equipment acquired with that debt. In determining the amount of pre-implementation property, plant and equipment to include in the primary reserve ratio, the Department will use the lesser of the property, plant and equipment minus depreciation/amortization or other reductions or the qualified debt obtained for long-term purposes minus any payments or other reductions as the amount of debt obtained for long-term purposes in determining the amount of pre-implementation property, plant and equipment that should be included in the primary reserve ratio.

The basis for the pre-implementation property, plant and equipment and qualified debt obtained for long-term purposes will be the amounts reported in the institutions most recently accepted financial statement submission to the Department prior to the effective date of these regulations. An institution must adjust the amount of pre-implementation debt by any payments or other reductions and the pre-implementation property, plant and equipment by any depreciation/amortization or other reductions in subsequent years. Post-implementation debt will be the amount of debt that an institution used to obtain property, plant and equipment since the end of the fiscal year of its most recently accepted financial statement submission to the Department prior to the effective date of these regulations less any payments or other reductions. Post-implementation property, plant and equipment will be the amount of property, plant and equipment that an institution obtained since the end of the fiscal year of its most recently accepted financial statement submission to the Department prior to the effective date of these regulations less any depreciation/amortization or other reductions. An institution must adjust post-implementation debt by any debt obtained and associated with property, plant and equipment in subsequent years and any payments or other reductions. An institution must adjust post-implementation property, plant and equipment by any property, plant and equipment obtained in subsequent years and any depreciation/amortization or other reductions in subsequent years. Any refinanced or renegotiated debt cannot increase the amount of debt associated with previously purchased property, plant and equipment.